

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE
ANNUITY AND PENSION BOARD**

Minutes of the Administration and Operations Committee Meeting
held February 25, 2008

The meeting was called to order at 9:02 a.m.

Committee Members Present: John Barmore
 William C. Carey
 W. Martin Morics, Chair

Committee Members Not Present: Sebastian Raclaw (arrived later in meeting)

Board Members Present: Larry Holland
 Michael J. Murphy

Retirement System Staff Present: Bernard J. Allen, Executive Director
 Martin Matson, Deputy Director
 Tom Rick, Chief Investment Officer
 Alva Coleman, Information Systems Manager
 Suzanne Fortier, Board Stenographer

Others Present: Beth Cleary and Rudy Konrad, City Attorney's Office; Jon Granger, Consultant, Jay Patel, S&S Consulting.

ERS Special Projects Report. As a matter of information, Committee members received a copy of the ERS Special Projects Report, dated February 19, 2008. Mr. Granger said overall ERS was able to supply the services needed for member services, payroll and employer reporting. There are still issues of defects and deficiencies that are being reported, but ERS staff, contractors and Saber are able to fix those in a timely manner. He said ERS received an update from the actuary that the new actuarial tables had been received and installed. Mr. Granger said ERS still has a contractual relationship with Saber and we will be receiving warranty services from them through July 8, 2008, and then post-implementation support services thereafter.

(Mr. Raclaw arrived at 9:07 a.m.)

Mr. Matson said the actuarial table installation was a result of the five-year experience study, so anyone retiring as of February 1, 2008 is now under the new tables. Mr. Granger briefly talked about the program incident and change request activity, which has settled down some, but the average number of new high issue defects are around 50. He talked about the PIR/CCR forecast of the past six months and future six months and the ticket inventory composition. Mr. Patel stated that for January, ERS' on-line application was at 100 percent. He updated the Committee on the disaster recovery status. He reported that on February 1, 2008, the team was informed that ERS' website was hacked. The conclusion was there was a worldwide worm that was released around that timeframe, which infected not only ERS, but other government agencies and the private sector. Mr. Patel said that ERS downloaded and installed the latest virus definitions, restored some files from the previous night's backup, and strengthened the web-server's security by locking down "write" access. He said the good news is that this did not impact anything important to ERS from an infrastructure standpoint as it did not penetrate any firewalls beyond the web server. To ensure that ERS' infrastructure is secure, ERS would like to conduct a Vulnerability Assessment Test, which is an industry standard done on an annual basis. Mr. Patel said that ERS would procure the services of an external vendor who has no knowledge of ERS' infrastructure; ERS would give them basic information about our website and ask them to hack it to see if they can find and identify the choke points in our infrastructure, and then provide ERS with a remediation plan. Mr. Morics asked if this RPF would be done for a periods of years and

we would make it a regular part of the budget? Mr. Granger said this can be done on a multi-year basis, which would also help to get a better price for the service. Mr. Matson indicated that Ms. Cole Medved from Willis of WI contacted him regarding insurance related to internet access on ERS' website, which is something that will be brought back to the Committee for discussion and consideration. Mr. Granger talked about the budget stating he put draft on this as ERS is still waiting for some December numbers to come in as well as reconcile to the PeopleSoft general ledger. He said ERS continues to pay Saber for post-implementation support services. Discussion ensued throughout the presentation.

Approval to Close Out 2007 Budget. As a matter of information, Committee members received a copy of a Memorandum from Mr. Haley, dated February 11, 2008. Mr. Matson said Mr. Haley finally worked through the expenses for 2007 and discovered ERS was well under budget in the amount of \$4.5 million. As part of the Intergovernmental Cooperation Agreement, the City provides ERS the authority for our budget and ERS normally processes one-twelfth of the budget every month. He said this is the first time ERS does not owe the City money, so staff would need authorization to close out the budget and generate a bill to the City for \$4.5 million. Mr. Matson said Mr. Haley did provide a memo to the Committee discussing the Intergovernmental Cooperation Agreement; how it currently works, and suggesting that there may be another way to do this to avoid an overpayment situation in the future, but this would require more analysis. After discussion, it was moved by Mr. Barmore, seconded by Mr. Raclaw, and unanimously carried, to accept the close out and refer the memo back to Mr. Haley and staff to come back to the Board with a recommendation, with the understanding that no change to the process could be a possible recommendation.

Approval to Conduct an RPF for Internet Vulnerability Testing. Mr. Morics said this was talked about earlier and asked for a motion. It was moved by Mr. Carey, seconded by Mr. Barmore, and unanimously carried, to authorize staff to conduct an RFP for multiple years for internet vulnerability testing, and bring back a recommendation to the Committee.

Update on Internal Audit. As a matter of information, Committee members received a Biweekly Status Report, dated February 8, 2008. Mr. Matson indicated this shows the initial results of the Jefferson Wells auditors coming in; looking at the system and talking to staff. He said they did provide a draft of a three year audit plan, which will be coming before the Committee in March. He stated this is informational only.

There being no further business, Mr. Morics adjourned the meeting at 9:20 a.m.

Bernard J. Allen
Secretary and Executive Director

NOTE: All proceedings of the Annuity and Pension Board Meetings and related Committee Meetings are recorded. All recordings and material mentioned herein are on file in the office of the Employees' Retirement System, 789 N. Water Street, Suite 300.)